

# SOUTH TANGIPAHOA PARISH PORT COMMISSION

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## ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/27/11

**PHIL HEBERT**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**A PROFESSIONAL ACCOUNTING CORPORATION**

# **South Tangipahoa Parish Port Commission**

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# South Tangipahoa Parish Port Commission

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MEMBER  
American Institute of  
Certified Public  
Accountants

**Phil Hebert, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

### **Independent Auditor's Report**

To the Board of Commissioners  
South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana

I have audited the accompanying financial statements of the governmental activities and the major fund of South Tangipahoa Parish Port Commission, as of and for the year ended December 31, 2010, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Tangipahoa Parish Port Commission's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Tangipahoa Parish Port Commission as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 13, 2011, on my consideration of the South Tangipahoa Parish Port Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

*Phil Hebert*

Phil Hebert CPA  
A Professional Accounting Corporation

June 13, 2011

**Required Supplemental Information (Part I)**  
**Management's Discussion and Analysis**

## **South Tangipahoa Parish Port Commission**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2010**

#### **Introduction**

The South Tangipahoa Parish Port Commission (the Commission) is pleased to present its annual financial statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The Commission's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position, (d) identify any significant variations from the Commission's financial plan, (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Commission's financial statements on pages 13 through 19 of this report.

#### **Financial Highlights**

At December 31, 2010, the Commission's assets exceeded its liabilities by \$7,813,801 (net assets). Of this amount, \$1,606,766 (unrestricted net assets) may be used to meet the Commission's ongoing obligations.

At December 31, 2010, the Commission's net assets increased by \$317,018.

At December 31, 2010, the governmental fund reported a fund balance of \$1,598,537.

#### **Overview of the Annual Financial Report**

The financial statement focus is on both the Commission as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Commission's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the Commission's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to private-sector business.

## **South Tangipahoa Parish Port Commission**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2010**

The Statement of Net Assets presents information on the Commission's assets and liabilities using the accrual basis of accounting in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increase or decrease in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities present information showing how the Commission's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services.

**Governmental Activities** - The Commission's services are reported here. These activities are financed primarily by rental income.

The government-wide financial statements include the South Tangipahoa Parish Port Commission (primary government) only can be found on pages 13 and 14 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Commission uses one category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. Governmental funds are used to account for the Commission's basic service. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Commission's more immediate decisions on the current use of financial resources. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 17 and 19 of this report.



## South Tangipahoa Parish Port Commission

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

#### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 32 of this report.

#### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following table provide's a summary of the Commission's net assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 13 of this report.

#### Net Assets December 31, 2010 and 2009

	<u>12/31/10</u>	<u>12/31/09</u>
Assets:		
Current Assets	\$ 1,626,658	\$ 1,690,709
Capital Assets	6,207,035	5,844,173
Construction in Progress	-	32,995
Total Assets	<u>7,833,693</u>	<u>7,567,877</u>
Liabilities:		
Current Liabilities	13,121	71,094
Long-Term Liabilities	6,771	6,771
Total Liabilities	<u>13,121</u>	<u>77,865</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,207,035	5,877,168
Unrestricted	1,606,766	1,619,615
Total Net Assets	<u>\$ 7,813,801</u>	<u>\$ 7,496,783</u>

Approximately 79% of the Commission's net assets reflect its investment in capital assets (land, building, equipment, and improvements) net of any related debt used to acquire those capital assets.

Approximately 21% of the Commission's net assets are unrestricted and may be used to meet the Commission's ongoing obligations to its citizens.

The investment in capital assets increased by \$329,867 due to the addition of the Port projects completed in 2010 and depreciation expense for the current year. See Footnote 5 Capital Assets.

Unrestricted Net Assets decreased by \$12,849 from \$1,619,615 to \$1,606,766.

## South Tangipahoa Parish Port Commission

### Management's Discussion and Analysis As of and for the Year Ended December 31, 2010

In order to further understand what makes up the changes in net assets, the following table provides a summary of the results of the Commission's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table

#### Changes in Net Assets For the Years Ended December 31, 2010 and 2009

	<u>12/31/10</u>	<u>12/31/09</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 239,269	\$ 207,014
Operating Grants and Contributions	-	-
Capital Grants and Contributions	623,816	187,500
Total Program Revenues	<u>863,085</u>	<u>394,514</u>
General Revenues:		
Interest	34,269	44,683
Other	8,702	1,000
F.E.M.A.	-	11,289
Total General Revenues	<u>42,971</u>	<u>56,972</u>
Total Revenues	<u>906,056</u>	<u>451,486</u>
Expenses:		
Port Commission	<u>589,038</u>	<u>611,587</u>
Total Expenses	<u>589,038</u>	<u>611,587</u>
Change in Net Assets	<u>\$ 317,018</u>	<u>\$ (160,101)</u>

Program Revenues increased by \$436,316 from the prior year due primarily to a grant from the State of Louisiana of \$562,500. General Revenues decreased by \$14,001.

The Commission's expenses decreased by \$22,549.

#### Fund Financial Analysis

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the year.

## **South Tangipahoa Parish Port Commission**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2010**

#### **Budgetary Highlights**

The Commission's actual revenues were \$1,462 less than final budgeted amounts. Actual expenditures were \$31,690 less than final budgeted amounts. The net change in fund balance was \$30,228 more than final budgeted amounts.

The original budgeted revenues were \$770,000 and final budgeted revenues were \$892,518. Original budgeted expenditures were \$770,000 and final budgeted expenditures were \$998,023.

Significant variations from the Port Commission's original budget amounts and final budget amounts are as follows:

- Charges for Services increased by \$35,000 due to a gain of a two tenants.
- Intergovernmental revenues increased by \$63,816.
- Capital Outlay increased by \$132,323 due to the Commission's ongoing projects.
- Marketing expenses were increased by \$17,540.
- Professional Fees increased by \$18,500.
- Property Maintenance increased by \$27,500 due increased maintenance for the Port project.

Significant variations from the final budget amounts and actual amounts are as follows:

- Capital Outlay final budgeted amounts exceeded actual amounts by \$14,028. Management overestimated the cost of the capital outlay account.

#### **Capital Assets**

The Commission's investment in capital assets for its governmental activities as of December 31, 2010 amounts to \$6,207,035 (net of depreciation).

Major capital asset additions and deletions during the current fiscal year included the following:

- The remaining costs of the Port projects of \$601,537.
- Purchase of roadway improvements for \$14,291.
- Purchase of a 1966 Track Mobile for \$39,110.
- Purchase of scales for \$8,924.

## **South Tangipahoa Parish Port Commission**

### **Management's Discussion and Analysis As of and for the Year Ended December 31, 2010**

#### **Other Factors Affecting the Port Commission**

Management is currently redeveloping the facility into an efficient and safe trans loading terminal for bulk, break bulk, neo bulk, and containerized cargo by barge, rail and truck at one prime location. The three million dollar infrastructure improvement programs will provide a new bulkhead, lay down storage areas, and comprehensive rail spur maintenance at the facility. The projects are designed to attract new industries and create new jobs for residents of the Tangipahoa Parish community. The new infrastructure projects are also an integral part of the port's "Master Plan" that was created in 2007 as a guide to future development of the facility. Future plans also include cargo synergy agreements with the Port of New Orleans and the addition of one hundred acres to expand cargo storage capabilities at the terminal.

#### **Contacting the Commission's Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Griggs, President, 163 W. Hickory Street, Ponchatoula, Louisiana 70454 (985)386-9309.

# **Basic Financial Statements**

## **Government-Wide Financial Statements**

**South Tangipahoa Parish Port Commission**

**Statement A**

**Statement of Net Assets  
December 31, 2010**

**Assets**

Cash and Cash Equivalents	\$ 555,418
Certificates of Deposit	1,049,935
Accounts Receivable	15,000
Interest Receivable	4,205
Utility Deposit	2,100
Land	303,000
Capital Assets, Net	<u>5,904,035</u>
Total Assets	<u>7,833,693</u>

**Liabilities**

Accounts Payable	3,092
Payroll Liabilities	5,592
Accrued Vacation	4,437
Noncurrent Liabilities:	
Postemployment Healthcare Benefits Payable	<u>6,771</u>
Total Liabilities	<u>19,892</u>

**Net Assets**

Invested in Capital Assets, Net of Related Debt	6,207,035
Unrestricted	<u>1,606,766</u>
Total Net Assets	<u>\$ 7,813,801</u>

The accompanying notes are an integral part of this statement.

**South Tangipahoa Parish Port Commission**

**Statement B**

**Statement of Activities  
December 31, 2010**

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Capital Grants and Contributions	
Governmental Activities:				
Port Expenses	\$ (589,038)	\$ 239,269	\$ 623,816	\$ 274,047
Total Governmental Activities	<u>(589,038)</u>	<u>239,269</u>	<u>623,816</u>	<u>274,047</u>
General Revenues:				
Interest				34,269
Other				8,702
Total General Revenues:				<u>42,971</u>
Change in Net Assets				317,018
Net Assets, Beginning				7,496,783
Net Assets, Ending				<u>\$ 7,813,801</u>

The accompanying notes are an integral part of this statement.

# **Basic Financial Statements**

## **Governmental Fund Financial Statements**



**South Tangipahoa Parish Port Commission**

**Statement C**

**Balance Sheet  
December 31, 2010  
Governmental Funds**

**Assets**

Cash and Cash Equivalents	\$ 555,418
Certificates of Deposit	1,049,935
Accounts Receivable	15,000
Interest Receivable	4,205
Utility Deposit	2,100
Total Assets	<u>\$ 1,626,658</u>

**Liabilities**

Accounts Payable	\$ 3,092
Payroll Liabilities	5,592
Accrued Vacation	4,437
Deferred Revenue	15,000
Total Liabilities	<u>28,121</u>

**Fund Balance**

Unreserved	<u>1,598,537</u>
Total Fund Balance	<u>1,598,537</u>
Total Cash and Cash Equivalents	<u>\$ 1,626,658</u>

The accompanying notes are an integral part of this statement.

**South Tangipahoa Parish Port Commission**

**Statement D**

**Reconciliation of the Governmental Funds Balance Sheet to  
the Government-Wide Statement of Net Assets  
December 31, 2010**

**Fund Balance, Governmental Fund, Statement C** **\$ 1,598,537**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. These assets consist of:

Land	303,000	
Capital Assets, Net of Depreciation	<u>5,904,035</u>	
	<u>6,207,035</u>	6,207,035

Charges for Services are recorded as a deferred revenue if not collected within 60 days of the end of the current fiscal period.	15,000
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Other postemployment obligations liability is not due and payable in the current period, and therefore, is not reported in the funds.	(6,771)
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**Net Assets, Governmental Activities, Statement A** **\$ 7,813,801**

The accompanying notes are an integral part of this statement.

**South Tangipahoa Parish Port Commission**

**Statement E**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2010**

**Revenues**

Charges for Services	\$ 224,269
Intergovernmental	623,816
Investment Earnings	34,269
Miscellaneous	8,702
Total Revenues	<u>891,056</u>

**Expenditures**

Accounting	4,045
Capital Outlay	678,295
Insurance	42,004
Legal	14,583
Marketing	34,554
Membership & Dues	2,355
Office Supplies	3,675
Payroll Tax	1,000
Professional	27,695
Property Maintenance	35,296
Rents & Leases	13,366
Retirement	17,631
Salaries	78,669
Utilities	13,165
Total Expenditures	<u>966,333</u>

<b>Net Change in Fund Balance</b>	<u>(75,277)</u>
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<b>Fund Balance, Beginning</b>	<u>1,673,814</u>
<b>Fund Balance, Ending</b>	<u>\$ 1,598,537</u>

The accompanying notes are an integral part of this statement.

**South Tangipahoa Parish Port Commission**

**Statement F**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2010**

<b>Net Change in Fund Balances, Governmental Funds, Statement E</b>	<b>\$ (75,277)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of :

Capital Outlay	678,295
Depreciation Expense	(301,000)

The deferred revenue adjustment adds to net assets the "unavailable" revenues that were excluded from fund balance on the modified accrual basis of accounting.	15,000
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<b>Net Change in Net Assets, Governmental Activities, Statement B</b>	<b>\$ <u>317,018</u></b>
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The accompanying notes are an integral part of this statement.

## Notes to the Financial Statements

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements**

**As of and for the Year Ended December 31, 2010**

#### **Introduction**

The South Tangipahoa Parish Port Commission (Commission) was established and provided for by R.S. 34:1951 of Louisiana Revised Statutes (LRS). The Commission is composed of seven members from the Parish of Tangipahoa who are appointed directly by the Governor. Board members serve with no compensation. The Commission consists of the boundaries and limits of Wards 6, 7, and 8 of Tangipahoa Parish. The Commission has authority to own, construct, operate, and maintain property, structures, and facilities necessary or useful for port, recreational, harbor, and terminal purposes. The Commission also has the authority to make and enter into contracts, leases, and other agreements with operating entities interested in the transportation, storage, and shipping of products. The Commission presently has two paid employees, an Executive Director and a Secretary.

The Commission presently maintains an office located in Ponchatoula, Louisiana, and a shallow water port facility located in Manchac, Louisiana. The Port facility includes a dock with a 20,000 square foot warehouse, railroad siding adjacent to the Illinois Central Railroad track and a second dock with a 30,000 square foot transit facility. The port facility is presently operated under a Marine Terminal Operators Agreement with a contract operator.

#### **1. Summary of Significant Accounting Policies**

##### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

##### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

#### **C. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Cash also includes amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

#### **D. Investments**

Under state law, the Commission may invest in United States bonds, treasury notes or certificates. These are reported separate from cash if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

#### **E. Compensated Absences**

The Commission's secretary earns annual and sick leave at various rates depending upon length of service. Both annual and sick leave accumulate and can be used during the term of employee's service. A maximum of 300 hours is paid upon separation from services but no unused sick leave is paid upon separation of service.

The Executive Director receives annual and sick leave each of which is non-cumulative and non-vesting.

As of December 31, 2010, employees of the Commission have accumulated and vested \$4,437 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

#### **F. Property and Equipment**

Property and equipment are reported in the Government-Wide financial statements. The cost of property, plant and equipment is depreciated on the straight-line basis over the estimated useful lives of the related assets. Assets are capitalized if their cost exceeds \$5,000.

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

#### **G. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **H. Fair Value of Financial Instruments**

The Commissions financial instruments, none of which are held for trading purposes, include cash and certificates of deposit. The following methods and assumptions used by the Commission in estimating its fair value disclosures for financial instruments are:

Cash, cash equivalents and certificates of deposit: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

The estimated fair values of the Commissions financial instruments are as follows:

<u>Financial Assets</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 555,418	\$ 555,418
Certificates of Deposit	\$ 1,049,935	\$ 1,049,935

#### **2. Stewardship, Compliance, And Accountability**

##### **A. Budgets**

The Commission uses the following budget practices:

1. The Port Commission's accountant prepares a proposed budget and submits same to the Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year.
2. A notice is published in the official journal that the proposed budget is available for public inspection; a public hearing on the proposed budget shall be held; and the date, time and place of the hearing.
3. A public hearing is held on the proposed budget at least 10 days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.



## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

#### **3. Cash and Cash Equivalents**

At December 31, 2010, the Commission had cash and cash equivalents (book balances) totaling \$555,418, as follows:

Demand Deposits	\$	551,027
Louisiana Asset Management Pool		4,391
	\$	<u>555,418</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2010, the Commission had \$1,614,221 in deposits (collected bank balances) with a total of \$564,286 in interest bearing demand deposits and \$1,049,935 in certificates of deposit. The total of \$1,614,221 is secured from risk by \$1,504,748 of federal deposit insurance and \$109,473 is uninsured but collateralized with securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

In accordance with GASB Codification Section 150.165, the assets held in LAMP at December 31, 2010 are not categorized in the three risk categories provided by GASB Codification Section 150.164 as described in the investment Footnote 4 below, because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. The LAMP assets are considered to be a cash equivalent. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

**South Tangipahoa Parish Port Commission**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

**4. Investments**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Port Commission or its agent in the Port Commission's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Port Commission's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Port Commission's name.

At December 31, 2010 the Port Commission's certificates of deposit were reported separate from cash because their original maturities are more than 90 days.

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Certificates of Deposit	\$ 1,049,935	\$ 1,049,935	\$ 1,049,935

In accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, all investments, when held, are carried at fair market value, with the estimated fair market value based on quoted market prices.

**Interest Rate Risk:** The Port Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

# **South Tangipahoa Parish Port Commission**

## **Notes to the Financial Statements** **As of and for the Year Ended December 31, 2010**

### **5. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2010 for governmental activities is as follows:

	Balance 12/31/09	Additions	Deletions	Balance 12/31/10
Land	\$ 303,000	\$ -	\$ -	\$ 303,000
Port Facility	8,880,699	-	-	8,880,699
Wastewater System	205,422	-	-	205,422
Tanks	149,852	-	-	149,852
Improvements & Equipment	282,575	663,862	-	946,437
Construction in Progress	32,995	630,867	(663,862)	-
Total	9,854,543	1,294,729	(663,862)	10,485,410
Accumulated Depreciation	(3,977,375)	(301,000)	-	(4,278,375)
Net capital assets	<u>\$ 5,877,168</u>	<u>\$ 993,729</u>	<u>\$ (663,862)</u>	<u>\$ 6,207,035</u>

Depreciation of \$301,000 was charged to the governmental function Port Expenses in the Statement of Activities.

### **6. Leases**

The Commission records operating leases as current expenditures in the accompanying financial statements. The following is an analysis of significant operating leases at December 31, 2010.

On January 31, 2000, the Commission entered into a thirty-six month lease for office space located at 163 W. Hickory Street, Ponchatoula, Louisiana. The monthly rent is \$800. Upon expiration of this lease on January 31, 2003, the Commission entered into a verbal agreement with the lessor to continue leasing the office space for \$800 per month on a month-to-month basis. The lease expense charged to Rent was \$9,600 at December 31, 2010.

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

#### **7. Employee Pension Plan**

##### **Plan Description:**

The Commission's employees participate in the Louisiana State Employee's Retirement System - LASERS.

LASERS is a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and requires supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 992-0600.

##### **Contributions**

Regular employees hired before July 1, 2006 are required by state statute to contribute 7.5 percent of their annual covered salary. Regular employees hired after July 1, 2006 are required by state statute to contribute 8.0 percent of their annual covered salary. The Commission (as the employer) is required to contribute at an actuarially determined rate. At December 31, 2010, the current employer rate was 22 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. The contribution requirements are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's employer contributions to LASERS for the years ending December 31, 2010, 2009 and 2008 were \$17,631, \$13,618 and \$13,610 which were equal to the required contributions.

#### **8. Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

#### **9. Rental Revenue**

The Commission allowed a telecommunications company to construct a communications tower on the Port Site in 1996. The lease on the tower site had an original term of 5 years with automatic renewals for four additional 5-year terms unless the telecommunications company cancels, in writing, 90 days prior to the end of a 5-year term. The lease permitted the telecommunications company to sublease parts of the tower with payments being made to the Commission. The original lease with the telecommunications company began September 1, 1996 and called for monthly payments of \$1,500 that escalated by 4% per annum. The telecommunications company entered into sublease agreements with other telecommunications companies commencing December 20, 1997 and August 21, 1998. These subleases required initial payments of \$750 per month each that also escalated by 4% at the end of each 12-month period. At December 31, 2010, \$73,052 was recorded as charges for services under this agreement.

The Commission entered into a 15-year commercial lease with lessee, Bayou Sign Company in April 16, 2003. Through this lease, the Commission agrees to lease 2 parcels of land for billboards located at Port Manchac. The rent shall be 25% of gross revenue (excluding taxes) per board with a minimum per board of \$100 per month for years 1-5, \$125 per month for years 6-10, and \$150 per month for years 11-15. It is also agreed through this lease that a minimum of 4 boards and a maximum of 8 boards on 2 structures will be created. It is also agreed that on boards 5-8, the \$100 per month minimum per board will be waived the first 2 years. At December 31, 2010, \$6,000 was recorded as charges for services under this agreement.

The Commission entered into a lease agreement with Bayou Diesel, LLC effective November 1, 2008. The leased premises consist of four (4) acres situated within the Port Manchac Distribution Center, Manchac, Louisiana, including, but not necessarily limited to, a 30,000 square foot warehouse, adjacent land and access to the rail. This lease is made for a term of thirty (30) years with an option to renew for four additional five (5) year periods. Rent payments shall be adjusted every two years commencing with the sixty-first rent payment by an amount equal to 3% of the total preceding years annual base lease payment and additional rent paid by or owed by Lessee unto lessor. At December 31, 2010, \$120,000 was recorded as charges for services under this agreement.

Lessee shall pay the lessor monthly rent as follows:

- 1) For the first nine (9) months the sum of seven thousand five hundred dollars
- 2) For month ten (10) the sum of eight thousand dollars
- 3) For month eleven (11) the sum of eight thousand dollars
- 4) For month twelve (12) the sum of nine thousand dollars
- 5) Commencing with month thirteen (13) the lessee shall pay the lessor for the term of this lease the sum of ten thousand dollars monthly

## South Tangipahoa Parish Port Commission

### Notes to the Financial Statements As of and for the Year Ended December 31, 2010

Future minimum lease revenues are as follows:

Year	Bayou Diesel, LLC	Total
2011	\$ 120,000	\$ 120,000
2012	120,600	120,600
2013	123,600	123,600
2014	124,218	124,218
2015	127,308	127,308
2016 - 2020	661,652	661,652
2021 - 2025	713,795	713,795
2026 - 2030	767,036	767,036
2031 - 2035	827,484	827,484
2036 - 2038	495,024	495,024
Total	\$ 4,080,717	\$ 4,080,717

#### 10. Economic Dependency

The Commission's primary source of revenue is through lease agreements with Bayou Diesel, Bayou Sign Company and telecommunication companies. For the fiscal year ending December 31, 2010, \$120,000, or 53% of the Commission's rental revenue was from a lease with Bayou Diesel, \$73,052, or 33% of the Commission's rental revenue was from telecommunication companies, \$18,000 or 8% of the Commission's rental revenue was from Davie Shoring, and \$6,000, or 3% of the Commission's rental revenue was from a lease with Bayou Sign Company.

#### 11. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of December 31, 2010, \$109,473 of the Commission's bank balance of \$1,614,221 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

#### 12. Risk Management

The South Tangipahoa Parish Port Commission is exposed to various risks of losses related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Port Commission purchases commercial insurance policies for any and all claims related to the aforementioned risks.

#### 13. Litigation And Claims

The Port Commission was not involved in any litigation or claims for December 31, 2010.

## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

#### **14. Intergovernmental Agreement**

The Commission entered into a intergovernmental agreement with the Louisiana Department of Transportation and Development on October 20, 2010. The improvements that are to be undertaken under this agreement will be port improvements consisting of concrete paving, rail, bulkhead, and drainage improvements. The estimated cost of this project is \$3,000,564. The state's funding amount is \$2,700,508 and the Port's funding amount is \$300,056. At December 31, 2010, no expenditures were incurred under this agreement.

#### **15. Other Post Employment Benefits Plan**

*Plan Description.* The Port Commission participates in an agent multiple employer defined health benefit retirement plan administered by the Office of Group Benefits as authorized by the Port Commission. The plan provides lifetime health insurance for retired employees. The plan pays 75% of the health insurance costs for retirees that were covered by the plan prior to January 1, 2002. For retirees entering the Plan subsequent to December 31, 2001, 75% of health insurance cost is paid for retirees with 20 or more years of service, 56% for retirees with 15 to 19 years of service, 38% for retirees with 10 to 14 years of service and 19% for retirees with less than 10 years of service.

The Port Commission has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2009, the Port Commission recognizes the cost of post employment benefits in the year when employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Port Commission's future cash flows. Because the Port Commission has adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

*Annual OPEB Cost and Net OPEB Obligation.* The Port Commission's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Port Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Port Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Port Commission's net OPEB obligation to the Plan:

## South Tangipahoa Parish Port Commission

### Notes to the Financial Statements As of and for the Year Ended December 31, 2010

Annual required contribution	\$ 833
Interest on net OPEB obligations	26
Adjustment to annual required contribution	-
Annual OPEB cost	859
Contributions made	-
Increase in net OPEB obligation	859
Net OPEB obligation, beginning of year	858
Net OPEB obligation, end of year	\$ 1,717

*Funding Policy, Funded Status, and Funding Progress.* The Plan is financed on a pay-as-you-go basis, therefore no funds are reserved for payment of future health insurance premiums. Based on a plan valuation performed as of December 31, 2009; the actuarial accrued liability for benefits was \$6,771, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$85,053, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 8% and 9% as of December 31, 2010 and 2009, respectively.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

*Retirement age for active employees* - Active members were assumed to retire at the age of 65 or the age of attainment of eligibility for the retirement benefit.

*Marital Status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the National Center for Health Statistics.

*Turnover* - Non-group specific age based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.



## **South Tangipahoa Parish Port Commission**

### **Notes to the Financial Statements As of and for the Year Ended December 31, 2010**

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.7 percent initially, reduced to an ultimate rate of 6.6 percent after ten years, was used.

*Health insurance premiums* - 2009 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Customer Price Index (CPI) in *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Port Commission's short-term investment portfolio, a discount rate of 3 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over thirty years.

#### **16. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 13, 2011, and determined the following events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

The Commission has incurred approximately \$45,000 in engineering and other preliminary expenditures related to the intergovernmental agreement.

## **Required Supplemental Information (Part II)**

**South Tangipahoa Parish Port Commission**

**Schedule 1**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 190,000	\$ 225,000	\$ 224,269	\$ (731)
Intergovernmental	560,000	623,816	623,816	-
Investment Earnings	20,000	35,000	34,269	(731)
Miscellaneous	-	8,702	8,702	-
Total Revenues	<u>770,000</u>	<u>892,518</u>	<u>891,056</u>	<u>(1,462)</u>
<b>Expenditures</b>				
Bookkeeping	4,000	4,000	4,045	(45)
Capital Outlay	560,000	692,323	678,295	14,028
Insurance	34,600	42,000	42,004	(4)
Legal	5,000	15,000	14,583	417
Marketing	17,460	35,000	34,554	446
Membership & Dues	2,500	2,400	2,355	45
Office Supplies	4,000	3,500	3,675	(175)
Payroll Tax	1,100	1,300	1,000	300
Professional	8,500	27,000	27,695	(695)
Property Maintenance	17,000	45,000	35,297	9,703
Rents & Leases	13,000	14,000	13,365	635
Retirement	14,340	15,500	17,631	(2,131)
Salaries	77,000	88,000	78,669	9,331
Utilities	11,500	13,000	13,165	(165)
Total Expenditures	<u>770,000</u>	<u>998,023</u>	<u>966,333</u>	<u>31,690</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(105,505)</u>	<u>(75,277)</u>	<u>30,228</u>
<b>Fund Balance, Beginning</b>	<u>1,561,870</u>	<u>1,673,814</u>	<u>1,673,814</u>	<u>-</u>
<b>Fund Balance, Ending</b>	<u>\$ 1,561,870</u>	<u>\$ 1,568,309</u>	<u>\$ 1,598,537</u>	<u>\$ 30,228</u>

See Auditor's Report.

**Report on Internal Control Over  
Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

MEMBER  
American Institute of  
Certified Public  
Accountants

**Phil Hebert, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Board of Commissioners of  
South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana

I have audited the financial statements of the governmental-type activities and the major fund of the South Tangipahoa Parish Port Commission, Ponchatoula, Louisiana, as of and for the year ended December 31, 2010, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated June 13, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered the South Tangipahoa Parish Port Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Tangipahoa Parish Port Commission's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of current year audit findings as 2010-1 that I consider to be a material weakness, as defined above.

South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Tangipahoa Parish Port Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The result of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year audit findings as item 2010-2.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
June 13, 2011

**Schedule of Prior Year Audit Findings  
Schedule of Current Year Audit Findings  
Management's Corrective Action Plan**

**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2010**

**Section I Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

**2009 - 1 Accountant Cannot Prepare Financial Statements**

**Condition**

The Port Commission's job description for accountant does not require the accountant to possess the technical skills to prepare the basic financial statements in conformity with accounting principles generally accepted in the United States of America. As part of the audit engagement, the auditor drafted the financial statements for the Commission.

**Recommendation**

I recommend management review the cost benefits of hiring an accountant with the technical skills to prepare the basic financial statements of the South Tangipahoa Parish Port Commission in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units.

Unresolved; See current year finding 2010-1.

**Compliance**

**2009 - 2 Failure to Properly Amend the Budget**

**Condition**

For the year ended December 31, 2009, actual expenditures of the Port Commission totaled \$646,587 while budgeted expenditures totaled \$547,226. The difference of \$99,361 is greater than the budgeted total by 15.36%.

**Recommendation**

I recommend the Port Commission review the budget to actual financial statements on a monthly basis and amend the budget as necessary.

Resolved

Continued



**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2010**

**2009 - 3 Budget Preparation**

**Condition**

The budget did not contain a budget message or estimated fund balances at the beginning and end of the year.

**Recommendation**

I recommend the accountant revise the budget format to include a budget message and an estimated beginning and ending fund balance.

Resolved

**Section II Internal Control and Compliance Material to Federal Awards**

Not applicable

**Section III Management Letter**

Not applicable

Concluded

**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Schedule of Current Year Audit Findings  
For the Year Ended December 31, 2010**

I have audited the basic financial statements of the South Tangipahoa Parish Port Commission as of and for the year ended December 31, 2010, and have issued my report thereon dated June 13, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2010 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weakness, Yes                      Significant Deficiencies, No

**Compliance**

Compliance Material to Financial Statements, Yes

**b. Federal Awards**

Not Applicable

Was a management letter issued?, No

**Section II Financial Statement Findings**

**Internal Control**

**2010 - 1 Accountant Cannot Prepare Financial Statements**

The Port Commission's job description for accountant does not require the accountant to possess the technical skills to prepare the basic financial statements in conformity with accounting principles generally accepted in the United States of America. As part of the audit engagement, the auditor drafted the financial statements for the Commission.

I recommend management review the cost benefits of hiring an accountant with the technical skills to prepare the basic financial statements of the South Tangipahoa Parish Port Commission in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units.

**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Schedule of Current Year Audit Findings  
For the Year Ended December 31, 2010**

**Compliance**

**2010 - 2 Purchases Made in Possible Violation of Louisiana Laws**

**Criteria**

The attorney general has historically opined that using public funds to defray the costs of Christmas parties, and office celebrations is prohibited by Article 7 Section 14 of the Louisiana State Constitution. To determine if an expenditure of public funds is in accordance with Article 7, Section 14 of the Louisiana Constitution, the Attorney General in Opinion 07-0134 outlines a three-prong test. It requires:

- 1) a public purpose for the expenditure or transfer
- 2) the expenditure or transfer; taken as a whole, does not appear gratuitous; and
- 3) evidence demonstrating that the public entity has a reasonable expectation of receiving a benefit or value at least equivalent to the amount expended or transferred.

**Condition**

On December 15, 2010, funds totaling \$682.97 were expended at a local restaurant which appears to have been for a Christmas party.

A review of the credit card receipt indicated the following:

1. The receipt was neither itemized nor included a list of attendees.
2. The receipt indicated that it was for a Christmas party.
3. Through inquiry of port employees I noted that the Commissioner's spouses also attended.

**Cause**

Management was not aware that they could not use Port funds' to defray the cost of a Christmas party.

**Effect**

Because the expenditure included spouses, were celebratory in nature, and had no benefit or value equivalent to the amount expended, the Commission appears to have violated the Louisiana Constitution.

**Recommendation**

I recommend the Commission discontinue the use of public funds for celebratory functions and document attendees and the business purpose for all meals purchased with public funds.

Continued

**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Schedule of Current Year Audit Findings  
For the Year Ended December 31, 2010**

**Condition**

During 2010 the Executive Director purchased two gift cards for \$50 each for two Commission members. In one instance the Director purchased a gift card for a Commissioner upon his retirement from a secular job. In another instance the Director purchased a gift card for a Commissioner due to illness.

**Cause**

The gift card purchased for the Commissioner upon retirement was a token of appreciation for his hard work and dedication as a Port Commissioner. The second gift card was purchased erroneously using the Port's credit card instead of the Director's personal card.

**Effect**

The expenditure for the gift card upon retirement may be permissible as recognition of long term service to the Port. The second gift card purchased due to illness appears to be gratuitous and had no public purpose.

**Recommendation**

The Attorney General has opined that awards in the nature of certificates, pins, plaques, trophies and the like, of moderate cost, are acceptable expenditures of public funds for recognition of public employees for long term service or outstanding service. I recommend the Commission establish a policy regarding the purchase of awards for recognition of long term service, or outstanding service and discontinue the practice of purchasing gifts that are gratuitous in nature and serve no public purpose.

Concluded

**South Tangipahoa Parish Port Commission  
Ponchatoula, Louisiana**

**Management's Corrective Action Plan  
For the Year Ended December 31, 2010**

**Section I Internal Control and Compliance Material to the Financial Statement**

**2010 - 1 Accountant Cannot Prepare Financial Statements**

**Recommendation**

I recommend the Port Commission review the cost benefits of hiring an accountant with the technical skills to prepare the basic financial statements of the South Tangipahoa Parish Port Commission in conformity with the accounting principles generally accepted in the United States of America as applied to governmental units.

**Management's Corrective Action Plan**

Management has reviewed the cost benefit of hiring an accountant with the technical skills to prepare the basic financial statements of the Port Commission. Management will continue to have the auditor prepare the financial statements . Responsible party is Patrick Dufresne, Executive Director.

**2010 - 2 Purchases Made in Possible Violation of Louisiana Laws**

**Recommendation**

I recommend the Commission discontinue the use of public funds for celebratory functions and document attendees and the business purpose for all meals purchased with public funds. I also recommend the Commission establish a policy regarding the purchase of awards for recognition of long term service, or outstanding service and discontinue the practice of purchasing gifts that are gratuitous in nature and serve no public purpose.

**Management's Corrective Action Plan**

Effective immediately the Commission will discontinue the use of public funds for celebratory functions and will document attendees and the business purpose for all meals purchased with public funds. Management will also review their policies and procedures regarding the purchase of awards and meals. Responsible party is Patrick Dufresne, Executive Director.